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Chairman: Mr. ABELIAN (Armenia)
(Vice-Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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In the absence of Mr. Vilchez Asher (Nicaragua), Mr. Abelian (Armenia), Vice-Chairman, took the Chair.

The meeting was called to order at 10.20 a.m.

AGENDA ITEM 122: FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST (A/50/386, A/50/543 and A/50/694)

(a) UNITED NATIONS DISENGAGEMENT OBSERVER FORCE

(b) UNITED NATIONS INTERIM FORCE IN LEBANON

1. Mr. TAKASU (Controller), introducing the report of the Secretary-General on the United Nations Disengagement Observer Force (UNDOF) for the period 1 December 1995 to 30 June 1996 (A/50/386), said that the Security Council, by its resolution 996 (1995), had extended the mandate of UNDOF for a period of six months from 1 June to 30 November 1995 and that, in accordance with General Assembly resolution 49/225, the Secretary-General had authorization to enter into commitments in respect of UNDOF for the same period. The cost estimates before the Committee covered a bridging period before the commencement of the new 12-month cost estimate cycle, which was due to begin on 1 July 1996.

2. The cost estimate for the seven-month period was approximately $2.6 million a month, a figure which was slightly higher than that for the previous period. Outstanding contributions in respect of UNDOF amounted to approximately $64 million, but, following recent receipts, troop-contributing countries had been reimbursed up to the end of July 1995.

3. Introducing the report of the Secretary-General on the United Nations Interim Force in Lebanon (UNIFIL) for the period 1 February to 30 June 1996 (A/50/543), he said that the current mandate of UNIFIL would terminate at the end of January 1996. The report before the Committee, covering a bridging period until the commencement of the new cycle on 1 July 1996, reflected a commitment authorization at a monthly rate of $10.7 million, representing a 4.1 per cent decrease as a result of the streamlining of UNIFIL over the period 1 February to 30 April 1996. That action would result in a saving of some $10 million a year. The financial situation of the Force was extremely difficult since outstanding contributions amounted to some $216 million. As a result, it had been possible to reimburse troop-contributing countries in full only up to the end of January 1995, after which partial reimbursement had been made up to the end of June. While the Secretary-General had noted the comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the use of general temporary assistance, the Committee might bear in mind that the use of such assistance had resulted in substantial cost savings and additional flexibility in the context of UNIFIL.

4. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on UNDOF and UNIFIL (A/50/694), said, in respect of UNDOF, that the Advisory Committee recommended that the General Assembly should appropriate the amount of $16,065,498 gross for the period from 1 June to 30 November 1995, that the

Assembly should authorize the Secretary-General to enter into commitments in the amount of $2,679,000 gross per month for the period from 30 November 1995 to 30 June 1996 and that those amounts should be assessed on Member States should the Security Council decide to extend the mandate of the Force.

5. With respect to UNIFIL, the Advisory Committee recommended that the General Assembly should appropriate the amount of $67,407,000 gross for the period from 1 August 1995 to 31 January 1996, that the Assembly should authorize the Secretary-General to enter into commitments not to exceed the amount of $10.7 million gross for the period from 1 February to 30 June 1996 and that those amounts should be assessed on Member States should the Security Council decide to extend the mandate of UNIFIL.

AGENDA ITEM 117: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (continued) (A/48/460 and Corr.1 and A/48/565 and Corr.1; A/50/484, A/50/502 and A/50/666 and Add.1 and Corr.1; A/C.5/50/4)

6. Mr. IRAGORRI (Colombia), speaking on behalf of the Non-Aligned Movement, said that the Heads of State or Government of the Non-Aligned Movement had recently, in the Cartagena Declaration, expressed their concern at the financial situation of the United Nations, stressed that the fundamental cause was the failure of some developed States to pay their assessed contributions in full and on time, and called upon those States to honour their obligations under the Charter and pay their outstanding contributions without conditions.

7. The Heads of State or Government had reiterated that the principle of capacity to pay must remain the fundamental criterion in any review of the methodology for the apportionment of the expenses of the Organization, and that any such review should be based on consensus and not on unilateral measures. They had recalled the obligation of Member States under Article 17 of the Charter to bear the expenses of the Organization as apportioned by the General Assembly, and stressed that major contributors should take the lead in paying their assessed contributions in full and on time.

8. The Heads of State or Government had taken note of the progress made by the High-level Open-ended Working Group on the Financial Situation of the United Nations and expressed the hope that its deliberations would enable the General Assembly to take appropriate measures to place the Organization in a financially viable position. They had also reaffirmed that the principles contained in the special scale of assessments established by General Assembly resolution 3101 (XXVIII) for the apportionment of the expenses of peace-keeping operations should be adopted in a permanent manner, and that the peace-keeping scale should clearly reflect the special responsibilities of the permanent members of the Security Council, as well as the economic situation of different groups of countries.

9. Mr. WANG Xuexian (China) said that at the Special Commemorative Meeting held on the occasion of the fiftieth anniversary of the General Assembly, Heads of State or Government had expressed their hope for an early solution to the financial difficulties confronting the United Nations.

10. The financial resources of the Organization came mainly from the assessed contributions of Member States to the regular and peace-keeping budgets, and delayed payment of such contributions was the main cause of the Organization's financial difficulties. The Under-Secretary-General for Administration and Management had indicated that the Organization's debts as at 30 September 1995 had amounted to $1.7 billion, while on that date Member States had owed the Organization $3.3 billion.

11. The causes for the delays in payment by Member States varied. Some developing countries had no choice but to defer payment because of economic difficulties, but a certain major contributor which, for political purposes and in total disregard of the Charter and the General Assembly, was withholding payment of huge amounts of assessed contributions to force the Organization to reform according to its wishes and act at its beck and call, had unilaterally decided, citing its domestic legislation as a pretext, to establish a ceiling in the peace-keeping scale of assessments in order to reduce its own rate of assessment and shift its financial obligations on to other Member States. That was in violation of the Charter and was absolutely unacceptable.

12. It should be pointed out that New York City was the direct beneficiary as the site of the United Nations Headquarters. The Mayor of New York City had recently observed that the total economic benefits to New York City alone generated by the United Nations were $3.3 billion every year, as well as 30,600 jobs. However, some 40 per cent of the Organization's purchase contracts for goods, equipment and services were awarded to United States companies. Furthermore, as had recently been recognized by the Secretary of State of the United States, it would cost the United States much more to defend its own interests if there were no multilateral United Nations operations. Of the 185 Member States, the United States had the least justification for withholding payments or for unilaterally setting a ceiling on its assessed contributions.

13. The rapid increase in the Organization's expenditure had placed huge burdens on Member States, particularly developing countries. Peace-keeping expenditure was now more than $3 billion a year, three times the size of the regular budget. Moreover, although resources for development continued to decline under the regular budget, resources for human rights were increasing at a double-digit rate every year. Such rapid growth in expenditure was hardly bearable for most developing countries, and had made it very difficult for them to pay their assessed contributions on time. In authorizing each peace-keeping operation, the Security Council should take full account of the capacity to pay of Member States, particularly developing countries.

14. Administrative and budgetary management must be improved. Many problems had arisen in peace-keeping operations, while the regular budget resources for human rights programmes had often far exceeded the approved level, without the authorization of the General Assembly. It was therefore imperative to establish and improve the relevant rules and regulations, strengthen financial discipline and budget management and practice stringent economy.

15. While some attributed the Organization's financial difficulties to the current scale of assessments, his delegation wished to point out emphatically that that scale was the result of repeated consideration at successive sessions

of the General Assembly and meticulous examination and computation by the Committee on Contributions. The scale was relatively equitable and basically reflected capacity to pay. It was entirely unacceptable to negate it totally.

16. The United Nations was now expected to play a greater role in international affairs and it should be ensured a stable financial basis in order to fulfil its functions and satisfy the aspirations of Member States. Such a basis could be established provided that Member States fulfilled their financial obligations under the Charter in earnest and with appropriate political will.

17. Mr. SINGLA (India) said that, while the international community continued to entrust the United Nations with important mandates in the cause of global development and peace, the Organization was being enfeebled by the crippling financial situation that confronted it. It was currently owed $3.3 billion, $810 million under the regular budget, and almost $2.5 billion under the peace-keeping budgets. That represented almost 70 per cent of the total budget for 1995, which meant that the Organization was functioning on only 30 per cent of the funds due to it.

18. While all States faced financial difficulties, that could not become a continuing reason for non-payment or late payment or a pretext for finding fault with the system. Assessed contributions had been determined by the entire membership in a democratic manner, and States were obliged to pay their due share.

19. His delegation fully appreciated the legislative processes through which any demand for appropriations must pass, and was sensitive to political and economic reasons for late payment. He hoped, however, that the recent trend towards unilateral action would not develop and lead to a further deterioration of the financial situation.

20. In that connection, he welcomed the recent significant payments from the Russian Federation and Brazil, as well as some payments by the United States. He also welcomed the decision of the Secretary-General to make a modest but long overdue payment of $150 million to troop-contributing countries as well as his intention to make a second set of payments totalling $100 million within the next few weeks. It remained a matter of deep concern, however, that some $1 billion would still be outstanding by the end of the year. Notwithstanding the efforts made by some to avert attention from their failure to meet their obligations by focusing on other factors, the underlying fact was that the Organization's capacity to serve Member States would be crippled so long as prospects for the receipt of assessed contributions from important contributors, in particular the major contributor, remained uncertain.

21. His delegation had repeatedly reiterated its commitment to reform, including financial reform, and was engaged in the dialogue in the High-level Open-ended Working Group on the Financial Situation. Any solution that might emerge, however, would still require all Members in future to pay their assessed contributions in full and on time, while those in arrears must immediately announce a scheduled settlement. There could be no progress unless all were willing to abide by their commitments.

22. Mr. JEMAT (Brunei Darussalam) said that, despite the positive response from some Member States to the Secretary-General's appeal for payments, the financial difficulties of the United Nations were unlikely to be resolved in the near future. The first victims of the situation were the troop-contributing countries. In addition, activities to benefit Member States had been curtailed owing to the lack of funds.

23. Reiterating the appeal of the Head of State of Brunei Darussalam at the Special Commemorative Meeting on the occasion of the fiftieth anniversary of the United Nations, he called on Member States to honour their obligations so that the United Nations could discharge its mandate. Since the financial problem affected the entire membership, it should be dealt with through consultations involving all Members; any short-term measures which placed pressure on certain countries while allowing the current commitments of others to remain unsettled would be unfair. Brunei Darussalam would only accept measures that enjoyed consensual support and were accompanied by the political commitment necessary for their implementation. In that connection, his delegation welcomed the proposal that a special session of the General Assembly should be convened to deal with the financial crisis.

24. Brunei Darussalam was prepared to contribute to the work of the High-level Open-ended Working Group on the Financial Situation of the Organization and stressed that the solutions sought should be a comprehensive package, including measures to ensure full and timely payment of assessed contributions by all Members; a new, fair and equitable scale of assessments; measures to streamline the work of the Organization; and the elimination of obsolete activities. He cautioned, however, that efforts to avoid duplication and waste should not adversely affect the implementation of mandated activities which were important to the developing countries.

25. With regard to the discussions on the scale of assessments and methods for determining the apportionment of peace-keeping expenses, he said that his delegation joined others in maintaining that the principle of capacity to pay should remain the fundamental criterion. It opposed attempts to apply per capita income as a criterion in setting a new scale for the apportionment of peace-keeping expenses, since such a method would discriminate against countries with a small population. In that connection, he drew attention to the principles and guidelines set out in General Assembly resolutions 1874 (S-IV) and 3101 (XXVIII).

26. Mr. LAVROV (Russian Federation) said that the United Nations was undergoing a financial crisis of unprecedented dimensions. That crisis was due to a number of problems, including the unfair nature of the apportionment of the expenses of the United Nations among its Members, the need to improve the methodology for the scale of assessments for contributions to the regular budget and to peace-keeping operations and the policies of certain Member States. While there was an urgent need to reform the Organization so as to enhance its efficiency, to eliminate duplication and obsolete programmes and to reduce budgetary expenditure, such reforms could only be achieved through joint efforts, not through unilateral measures or in violation of the obligations of Member States to the Organization.

27. Despite its own economic problems, the Russian Federation had significantly reduced its arrears over the previous two years and, in 1995, had already contributed over $323 million, $120 million of which had been paid in October - the most difficult time for the Organization in financial terms. In his statement at the Special Commemorative Meeting, the President of the Russian Federation had reaffirmed his country's commitment to meet all its obligations to the United Nations and, true to that commitment, the Russian Government had adopted a decision to pay its arrears in full over a period of seven years.

28. Mr. ZULKIFLI (Malaysia) said that his delegation supported the statement made by the Philippines on behalf of the Group of 77 and China and stressed the need for Member States to be kept regularly informed of the current financial situation of the United Nations.

29. In view of the Organization's reliance on the contributions of Member States to carry out its mandated activities, his delegation was deeply disturbed to learn that, as of 30 September 1995, outstanding contributions totalled $3.3 billion and that, if the situation persisted, some $1 billion would be owed to troop-contributing countries by the end of 1995.

30. Noting the observation in the Secretary-General's report (A/50/666) that the major contributor was not expected, in 1995, to make a large payment equivalent to most of its current assessment, as it had done in previous years, he reiterated his delegation's opposition to any unilateral - and, consequently, illegal - decision to reduce assessments. In that context, he also drew attention to information recently provided by the Secretariat itemizing the major economic benefits accruing to the city of New York and to the host country in general as a result of the presence of the United Nations.

31. At the recent Special Commemorative Meeting, his country's Minister for Foreign Affairs had appealed to all States to honour their commitments by paying their contributions in full and on time and the United States President had stated his determination to meet his country's obligations. He hoped that that determination would soon be translated into action.

32. While Malaysia was willing to explore all means of addressing the current financial crisis of the United Nations, it stressed that fulfilment of financial obligations under the Charter could not be compromised. It therefore welcomed the proposal of the Secretary-General that a special session should be convened to deal with the crisis.

33. Mr. ATIYANTO (Indonesia) said that his delegation wished to associate itself with the views expressed at an earlier meeting by the representative of the Philippines on behalf of the Group of 77 and China and with those expressed by the representative of Colombia earlier in the current meeting, which echoed the positions adopted by the Movement of Non-Aligned Countries at its eleventh Conference of Heads of State or Government, held in Cartagena in October 1995.

34. He welcomed the indications in the Secretary-General's report (A/50/666) of an improvement in the pattern of payments by Member States in 1995, including the positive response of many developing countries, such as his own, despite the increased internal demands on their own limited development resources. He

regretted, however, that those improvements had had no significant impact on the Organization's cash-flow crisis. Accordingly, he urged the major contributors to take more effective action to resolve those difficulties and, in that context, recalled the suggestion made by the Indonesian Minister for Foreign Affairs to the plenary Assembly on 2 October 1995, that the idea of innovative global taxation schemes should be explored.

35. Noting the failure of the High-level Open-ended Working Group on the Financial Situation of the Organization to identify remedial measures, he regretted that the interim measures adopted by the Secretary-General offered no sustainable solution to the Organization's financial problems and reiterated his delegation's belief that the fundamental cause of that crisis was the failure of Member States, and particularly the major contributor, to meet their obligations to the Organization in full and on time. In that connection, he commended the Secretary-General on the various steps he had taken to draw attention to the serious nature of the current cash-flow crisis.

36. With regard to peace-keeping operations, his delegation maintained that the apportionment of the expenses of those operations must be based on the principles set forth in the special scale of assessments established by resolutions 1874 (S-IV) and 3101 (XXVIII) and should take into account the greater capacity to pay of the economically more developed countries. Accordingly, any unilateral measures by a major contributor to limit its assessed contribution to 25 per cent could not be justified.

37. Mr. ORANGE (Belarus) pointed out that the procedure for financing the various activities of the United Nations had been determined by the Member States themselves, usually on the basis of consensus. There was just cause to wonder, therefore, why the Organization now found itself in such a financial crisis, which even the High-level Open-ended Working Group on the Financial Situation had been unable to resolve. His delegation believed that the crisis was rooted in the numerous inconsistencies in the Organization's budgetary and financial operations, in particular, the failure to comply with the principle of capacity to pay in the assessment of contributions and the consequent unfair scale of assessments, as well as the failure of the Organization itself to live within its means.

38. In view of the severity of the crisis, his delegation believed that a new approach should be found for those countries whose debt was genuinely due to financial circumstances beyond their control. He pointed out that the 10 major debtors to the United Nations included a number of countries whose assessed contributions had for years exceeded their capacity to pay; radical solutions were therefore called for, including even the cancellation of accumulated debt.

39. There was a great need for reform in the Organization in order to ensure the effective functioning and practical value of its activities. Tighter economies were needed, particularly in Conference Services, where savings could be achieved through the introduction of new technologies and by avoiding the overproduction of documents. Belarus, like several other delegations, opposed the proposal for an increase in salaries in the United Nations contained in the report of the International Civil Service Commission (ICSC) (A/50/30) and called for the elimination of all obsolete programmes.

40. Mr. TOYA (Japan) said that the United Nations faced a financial crisis which placed its very existence in jeopardy. Japan fully shared the concerns expressed on that matter by the European Union, and by the Nordic countries at their meeting in New York on 25 September, and fully agreed that unilateral decisions by Member States to withhold their assessed contributions were unacceptable.

41. The United Nations had an indispensable role, as the world's only truly universal organization, and Japan maintained that that role should be strengthened, not reduced. Accordingly, it was deeply concerned at the harm caused to the reform process by the non-payment of assessed contributions by some major contributors.

42. He urged the High-level Open-ended Working Group on the Financial Situation of the Organization to resume its substantive discussions as soon as possible and reaffirmed his delegation's willingness to help bring its work to a successful conclusion.

43. Mr. SERME (Burkina Faso) said that the reports by the Secretary-General on the financial situation of the Organization, as well as the appeal launched by him in October 1994 and the statement made to the Committee on 12 September 1995 by the Under-Secretary-General for Administration and Management were all in the same vein as the Ogata/Volcker report submitted to the Committee in 1993. While he had reservations about the advisability of resorting to external reports, he believed that the Ogata/Volcker report provided flexible solutions, enabling Member States such as his own to meet their financial obligations.

44. Noting that one delegation owed in unpaid contributions an amount almost double the total assessed contributions of all other States to the regular budget, he pointed out that failure to pay was not always due to refusal by States to meet their commitments. The economic conditions in his country were such that even its low rate of assessment posed a considerable financial burden. Burkina Faso would, none the less, make every effort to meet its obligations.

45. In view of the unpredictable nature and rapid growth of peace-keeping operations, his delegation suggested that, in order to enable States to participate in their financing, the following measures should be adopted: purchasing procedures should be decentralized to ensure that tenders were awarded to the lowest bidder; purchases should be adapted to the specific circumstances of a given operation; purchases should be made in countries as close as possible to the area of operations; and there should be sound management of the limited resources available.

46. Mr. CASTANEDA-CORNEJO (El Salvador), speaking on behalf of Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua and Panama, said that since little had come of efforts to strengthen the financial situation of the United Nations, it was difficult to understand the resulting contradictions between what Member States said and what they did about the Organization's financial problems. Constant reference had been made in various forums to the importance of the United Nations for world peace and the general well-being, as well as to the need to provide it with adequate financial resources. Despite such declarations, however, the Organization continued to lack sufficient funds for

its activities. The amount owed by Member States to the regular and peace-keeping budgets had tripled between 1987 and 1995, and, as the Secretary-General had observed, while there had been some improvement in the pattern of payment in 1995 compared with the two previous years, the overall situation remained extremely unsatisfactory. The financial crisis was adversely affecting the entire range of the Organization's activities, especially those in the development sphere, and could damage its credibility if it was not resolved.

47. With those considerations in mind, he called for the debtor States, especially the major contributors, to fulfil their financial obligations to the Organization. He shared the sense of encouragement felt by the Secretary-General at the support for the role of the United Nations expressed at the summit meeting of Heads of State and Government of the seven major industrialized nations, meeting at Halifax in June 1995, which had issued a communiqué (A/50/254-S/1995/501, annex I) specifically declaring the readiness of the Group of Seven to work with others in order to set out a fresh approach to international cooperation and to define the particular contribution expected of United Nations bodies. Finally, he encouraged the Secretary-General to continue with his efforts at the administrative reform of the Organization.

48. Mr. PIBULSONGGRAM (Thailand) expressed his delegation's deep concern over the high level of debt of Member States to the Organization, the Organization's current cash-flow situation, and the projected increase in outstanding contributions by the end of 1995 largely as a result of payments expected from the major contributor. He stressed the legal obligation of Member States to bear the expenses of the Organization, as apportioned by the General Assembly, and to pay their assessed contributions in full and on time. A more effective approach was, however, needed that would both encourage Member States to pay their contributions on time and settle their arrears, and control the Organization's expenses, particularly those related to peace-keeping. If Member States were either unable or unwilling to provide adequate resources for peace-keeping operations, they should consider limiting those activities to the level of financial resources they were able and willing to provide.

49. While his delegation welcomed the efforts of the Fifth Committee to reform the process for the approval of peace-keeping budgets, such efforts did not address the more important problem of the failure of a large number of Member States to fulfil their financial obligations under Article 17 of the Charter of the United Nations. His delegation shared the view of the Group of 77 and China that a simple revision of the current scale of assessments would not redress the Organization's financial difficulties if Member States did not fulfil their obligations.

50. Mr. BENNETT (Australia) called upon Member States, as a matter or urgency, to identify and implement a comprehensive solution to ensure the long-term financial security of the United Nations, and suggested three steps to resolve the current financial crisis. First, Member States must pay their assessed contributions in full, on time, and without conditions. In that regard, he expressed particular concern at the level of arrears and reduced rate of payments of the largest contributor; it was unacceptable that that contributor should continue to destabilize the Organization's operation through its failure to comply with the Charter. Second, the scale of assessments needed to be

reformed, in conjunction with measures to recoup outstanding arrears. Third, options to supplement the contributions of Member States with external sources of finance should be examined; it was important to consider that issue seriously without prejudging the questions of principle involved or the practicability.

51. While it supported the Secretary-General's austerity measures in response to the current financial crisis, his delegation was concerned that some financial restraints could impinge detrimentally on the operation of the International Criminal Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia, and hoped that the restraints would not be applied in such a way as to undermine the Tribunal's mandate. Lastly, he hoped that the High-level Open-ended Working Group on the Financial Situation of the United Nations would meet shortly for a comprehensive discussion of the range of issues before it.

52. Mr. ALOM (Bangladesh) expressed his delegation's support for the views expressed by the Group of 77 and China, and by the representative of Colombia on behalf of the Non-Aligned Movement. It was a fundamental principle of the financing of the United Nations that assessment should be apportioned among Member States according to their relative capacity to pay. The Organization had effectively been brought to the brink of bankruptcy by the continued withholding of legally obligated dues by a number of Member States. He called for the establishment of a structure to provide the Organization with the mechanisms and capital base it required for its efficient operation.

53. Although capacity to pay would remain a fundamental criterion for determining the contribution of Member States, it was misleading to assume that a simple revision of the scale of assessments would provide relief for the Organization's growing financial ills. The possibility of providing independent revenue sources for the United Nations should be explored, although commercial borrowing or financing from non-governmental sources were not desirable.

54. The fundamental nature of the problems in the assessment system called for conceptual, political and practical innovation. His delegation therefore proposed that the regular United Nations operating costs should continue to be financed primarily by the scale of assessments, based on the relative capacity to pay; penalties for failure to pay assessments should be strengthened; tolerance of failure to pay promptly by Member States which were in genuine difficulty should continue; the working-capital resources of the United Nations should be increased for both its regular and peace-keeping activities; and the principles set forth in the special scale of assessments established by General Assembly resolution 3101 (XXVIII) for the apportionment of the expenses of peace-keeping operations should be adopted, bearing in mind the need for the scale of assessments for such operations to reflect the special responsibilities of the permanent members of the Security Council and the economic situation of various Member States.

55. In conclusion, he said that the future credibility of the United Nations would depend in large measure on the effectiveness of its management, the quality of its staff, and improvements in its structure and administration.

56. Mr. HO (Singapore) said that the primary cause of the financial problem of the United Nations was the non-observance by Member States of their treaty obligations. If the Organization was to function effectively, Member States must pay their assessed contributions in full, on time and without conditions. Binding legal obligations required them to do so; those obligations could not be abrogated by national laws.

57. Article 19 of the Charter was the only mechanism that the Organization could use to encourage Member States to pay their contributions in full and on time. The General Assembly could permit Member States to retain their vote subject to Article 19 if their failure to pay was due to conditions beyond their control. His delegation sympathized with those countries which, owing to such circumstances, had been unable to pay their assessed contributions in full and on time. Nevertheless, exceptions to Article 19 should be granted with caution so as not to compromise the fundamental principle. His delegation believed that exemption from Article 19 should only be granted to countries which suffered from genuine economic difficulties beyond their control but which none the less intended to pay their assessed contributions eventually.

58. His delegation believed that Member States should not weaken that one provision which could potentially cure the Organization's ills. A scheme of incentives and disincentives was necessary to encourage Member States to pay. Interest should be charged on late payments of assessed contributions since the current payment system rewarded late payers at the expense of those States which paid on time. His delegation also supported the proposal that troop contributors which had paid their assessed contributions in full should be given priority in reimbursement for peace-keeping expenses.

59. He noted the proposals that had been made to improve the Organization's efficiency through the reduction of wastage and the elimination of overlap. Such cost savings would, however, merely postpone, not solve, the problems. The primary cause of the financial crisis was the failure of Member States, and particularly the largest contributor, to pay assessed contributions on time.

60. Mr. ZLENKO (Ukraine) said that the current financial crisis could only be overcome if Member States, and especially the major contributors, met their obligations punctually. At the same time, the worsening situation was the immediate result of the inability of Member States to find an appropriate solution within the context of the High-level Open-ended Working Group on the Financial Situation of the Organization. Member States needed to demonstrate the political will to address the problem in order to avoid mutual accusations and intolerance.

61. In recent years, Ukraine had experienced considerable difficulties in paying its contributions to the United Nations in full and on time. His country had become one of the largest United Nations debtors against its will. Its arrears were a direct result of the outdated system of apportionment of expenditures for financing peace-keeping operations, which failed to take into account adequately a country's capacity to pay and to react in a timely manner to its changed economic and political circumstances.

62. In 1992, when the excessive rate of assessment of the former Union of Soviet Socialist Republics had been reapportioned, the rate of assessment of Ukraine had been increased by over 50 per cent. Although some positive developments had taken place, the rate of Ukrainian contributions to the United Nations regular budget was three times higher than the amount corresponding to its capacity to pay

63. The Ukrainian Government had requested Member States to transfer Ukraine to the category of economically less developed countries in the scheme of apportionment of expenses for financing United Nations peace-keeping operations. However, despite the fact that its per capita gross national product had declined to $1,500, as calculated by the World Bank, Ukraine still remained in the category of economically developed countries in the peace-keeping operations scale.

64. Nevertheless, Ukraine had always supported United Nations activities. Since becoming independent, it had contributed over $30 million to the Organization. During 1995, Ukraine had already contributed $15 million and it intended to pay a further $2 million by the end of the year. Had Ukraine been assessed at an equitable rate, a contribution of $30 million would have enabled his country to be fully paid up. At the present time, however, Ukraine had been unable to pay its arrears owing to circumstances beyond its control. The fairest decision would be to release Ukraine from its responsibility for those arrears. He trusted that Member States would be able to resolve his country's predicament; by doing so, they would improve the financial situation of the Organization in the broader context.

65. Mr. MAZARI (Pakistan) said that the increased responsibilities of the United Nations had heightened demands on its comparatively meagre resources. His delegation felt that the linkage between the political dictates and financial needs of the Organization had to be borne in mind, since the two were inseparable. The Committee's deliberations therefore had to take account of the fact that the Organization's political mandate needed to be coupled with effective funding based on realistic considerations rather than short-term assessments that would further weaken emerging democracies or the struggling economies of developing countries.

66. His delegation shared the Secretary-General's concern about the financial situation of the United Nations. He wished to assure the Committee that Pakistan would be actively involved in any discussions designed to ameliorate the situation and place the finances of the United Nations on a sound permanent footing. He had been particularly disturbed to learn that the Organization lacked a capital base and basically had no reserves. Consequently all Member States must pay their assessed contributions in full and on time in accordance with the existing scale of assessments. That scale took into account the special responsibility of the permanent members of the Security Council, as well as the capacity to pay other States. As a developing country, Pakistan had been particularly concerned at the adverse effects that the deteriorating financial situation had had on reimbursements to troop contributors. If the present situation was allowed to continue, there was a danger that peace-keeping operations would suffer.

67. His delegation was further concerned that the United Nations had been borrowing large sums from its peace-keeping operations with the result that troop-contributing countries had not been reimbursed. He was convinced that the current cash-flow problem was by no means linked to the existing system of assessments; rather it was due to the failure of some Member States to fulfil their Charter obligations.

68. Mr. Soong Chull SHIN (Republic of Korea) said that his delegation noted with deep concern that the financial crisis had continued to worsen. His Government believed that all Member States should make every effort to build a solid financial base for the Organization. He requested all Member States which had not fulfilled their obligations to pay their assessed contributions promptly not only to the regular budget but also to the peace-keeping budget.

69. His delegation noted with concern the practice of borrowing from the peace-keeping budgets to fund the activities covered by the regular budget. He was also worried tnat peace-keeping activities had been seriously affected by cash deficits. The cash-conservation measures taken by the Secretary-General were merely a short-term response to the current cash crisis and such measures could not substitute for full payment of assessed contributions.

70. His delegation wished to draw attention to the long delays in reimbursements to troop contributors and payments of letters of assist to Governments. The magnitude of the amounts owed had placed an unfair burden on such countries.

71. Mr. DJACTA (Algeria) noted that Algeria had been omitted from the table in annex II to document A/50/666 showing which Member States had paid their contributions in full within 30 days after receipt. He requested the Secretariat to explain why that omission had occurred.

72. The CHAIRMAN said that the Secretariat was not currently in a position to provide an answer to the question put by the representative of Algeria, but it would do so at the Committee's next meeting.

73. Mr. GRANT (United States of America) said that, since several delegations had referred either directly or indirectly to his Government during their statements, his delegation reserved its right to reply on that agenda item at a later date.

74. Mrs. EMERSON (Portugal) said that she noted with regret that the representatives of the Secretary-General had declined to publish an accurate picture of Portuguese payments to the United Nations to date.

The meeting rose at 12.55 p.m.